Manitoba

Annual Report 1984 - 85

The Manitoba Beef Commission

MANITOBA BEEF COMMISSION
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December 19, 1985

The Honourable Bill Uruski
Minister of Agriculture
Room 165, Legislative Building
Winnipeg, Manitoba

Dear Sir:

I have the honour of presenting herewith the 3rd Annual Report of the Manitoba Beef Commission for the 12 month period ending March 31, 1985, accompanied by the Audited Financial Report for the same period.

Respectfully submitted,

Rudy Usick

Rudy Usick
Chairman
Manitoba Beef Commission

The Manitoba Beef Commission

Board of Directors

Back Row Left to Right

Clare Geddes *2nd Vice-Chairman* *Pilot Mound*	*Jim Chegwin* *Director* *Swan River*	*Dennis Trinder* *Director* *Russell*	*George Geisel* *Director* *Ochre River*

Front Row Left to Right

Virginia Mariash *Director* *Beausejour*	*Rudy Usick* *Chairman* *Erickson*	*John Johnson* *Vice-Chairman* *Vogar*

Background

On April 1, 1982, the Honourable Bill Uruski, Minister of Agriculture, announced funding for a major beef stabilization and marketing plan for Manitoba. The Manitoba Beef Commission, with the subsequent activities detailed in this report is the result of that commitment.

Objectives

1. To enhance the economic viability of beef producers in Manitoba through the strengthening, expansion and unification of the total beef industry within the Province. The Commission believes a viable beef industry includes:
   (a) primary producers
   (b) the country auction system
   (c) custom feedlots and
   (d) the packing house industry.
2. To develop and administer a stabilization insurance fund that provides economic stability and operating confidence to the primary beef producer allowing for long term planning.
3. To develop and administer an orderly marketing system that strengthens the producer's position and provides greater efficiencies in the price determination and procurement process.
4. To assist and encourage the retention, growing, finishing and processing of a greater number of Manitoba produced calves in Manitoba through financial and technical assistance.

The Concept

The principles involved:

- an on-going plan, with provision to join or opt out at any time
- stabilization on three classifications: calves, feeders and slaughter
- three levels of support to choose from in each classification
- jointly funded by the Province and producers, with provision to blend into a Federal plan
- slaughter animals to be marketed through the central desk concept, with prices determined on a 'pooled' basis
- administration by a Beef Commission operating independently, but in close cooperation with Manitoba Agriculture support services
- additional financial aid plans such as cash advances, feeding loans, or facility improvement loans, to complement and aid the industry

The Commission

In September, 1982, the Manitoba Beef Commission was created by Regulation 217/82 under The Natural Products Marketing Act. The purpose of the Commission is to administer a provincial stabilization and marketing plan. A seven member producer Board of Directors was appointed to develop, implement and administer the Stabilization and Marketing Plan. The activities of the Board and Commission are under the supervision of the Manitoba Natural Products Marketing Council. During the fiscal year 1984-85, the Board held 12 regular board meetings, as well as 19 producer information meetings at various country points. A three member Review Committee was established to review and make recommendations on all client situations that fall outside normal operating policies. This Committee scrutinized such cases in detail, with their recommendations presented at a regular Directors' meeting for ratification. The Committee held six regular meetings.

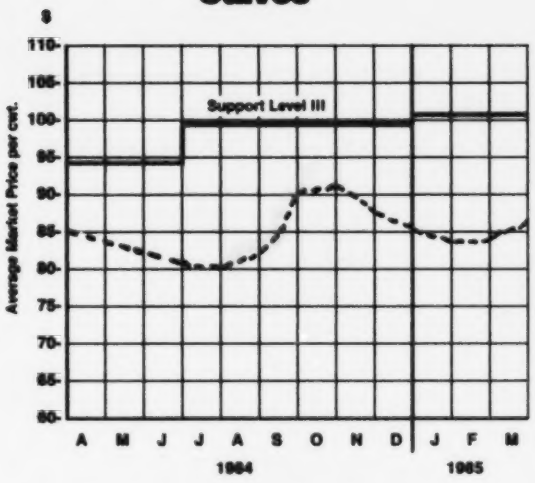
The Stabilization Plan

The following charts show the relationship of the market price relative to the support level. The support level in the Manitoba Beef Plan reflects producer costs. It was reviewed and adjusted twice annually, on January 1 and July 1 according to a twelve item input cost formula in the contract. The formula, while not a cost-of-production budget, effectively measured changes which occurred in the cost of production. Following a regular review of input costs, the Commission moved to separate monitoring of each class of stabilized animals, effective July 1, 1984. This was deemed to be a more equitable method of measuring costs associated with raising calves, yearlings or slaughter animals.

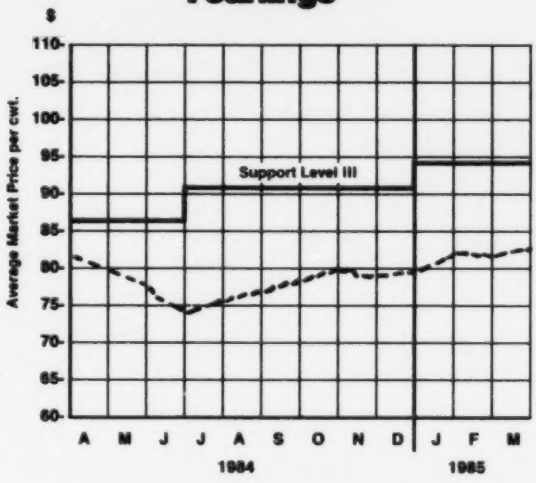
At July 1, 1984, the support level on slaughter animals increased by 7.30 percent, on feeders by 5.87 percent, and on calves by 4.78 percent. At January 1, 1985, the increases were: slaughter up 2.21 percent; feeders up 1.86 percent; and calves up 1.55 percent.

Producers are rewarded for quality and quantity by the price received from the market place. Stabilization payments are based on the amount of pounds produced and marketed. Both these concepts serve as an incentive for Producers to produce a quality product at optimum efficiency.

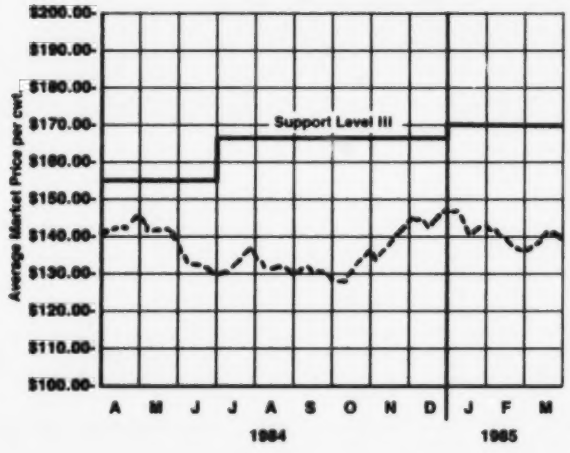
Average Market Prices Calves



Average Market Prices Yearlings



Average Market Prices Slaughter (Rail-Grade)



Participation

Prior to the fiscal year under review, the Commission had accepted 4,794 contracts registering 258,979 head of cows. During the year, 86 new contracts were received and 55 terminations were processed.

At the year end, the Commission was operating with 4,825 active contracts registering a basic cow herd of 261,223 head.

Operating Details

Slaughter cattle were pooled on a weekly basis by sex, grade and weight classification. The pooled price determines the settlement price to the Producer, with the A1 and A2 pooled steer price determining the amount of stabilization to be paid. Any stabilization to be paid on slaughter cattle was included in the producer settlement cheque.

Unfinished cattle were marketed at a place and method of the producer's choice providing:

(a) the settlement cheque was made out in the name of the Commission and routed through the Commission, and

(b) the settlement statement clearly indicated the price and total value supported by bonafide weigh slips from a recognized livestock scale.

The Commission paid producer settlements on the basis of selling price less producer premiums. Stabilization payments were made in the month following the date of sale, after the monthly average price had determined the rate of stabilization.

The support level initially set for the three classifications of stabilized animals was relative to the twelve cost of production indicators listed in the contract and the prevailing market prices. Built into the Plan is a provision for the support level to be reviewed twice yearly (January 1st and July 1st). Producer premiums may be adjusted as required.

The amount of stabilization to be paid was determined as follows:

- For Slaughter Animals – the difference between the weekly 'pool' price for A1 and A2 steers in the standard weight category, and the support level
- For Feeders – the difference between the monthly average price for large frame lean feeder steers over 600 lbs., and the support level
- For Calves – the difference between the monthly average price for good stock steer calves in the 400 to 600 lbs. weight range, and the support level.

Finished Cattle Marketings

The 1984/85 fiscal year was the second year of M.B.C. Central Desk Marketing. During this period, 67,325 slaughter cattle were marketed, representing a 14.3 percent increase in volume over the previous fiscal year. Earned marketing fees amounted to $272,975, involving 4,876 sales transactions totalling $54,595,000 in market value.

Purchasers of M.B.C. slaughter cattle included all of the five federally inspected packinghouses in Manitoba, one wholesale purveyor and 12 provincially inspected rural abattoirs.

Final grading results on 65,715 steers and heifers were:

- A grades – 60,395 head or 91.9%
- B grades – 3,737 head or 5.69%
- C grades – 1,583 head or 2.41%

There were also 1,393 cows grading D1-5 and 217 bulls grading E1-2.

Unfinished Marketings

The Commission stabilized 96,569 head of unfinished cattle under the calf and feeder cattle aspect of the stabilization plan. Recognizing the loss to the provincial economy when unfinished animals are marketed and moved out of the province, the Commission worked to encourage 'One Owner Finishing.' A major promotional effort was made during August and September to:

(a) demonstrate the benefit of marketing a finished product, and

(b) to inform producers of assistance available to overcome any obstacles in doing so.

This promotional effort, plus the readiness of many producers to benefit from the opportunity to help themselves, was instrumental in reducing the outflow of unfinished cattle in the fall of 1984.

Manitoba Agricultural Credit Corporation

To maintain on-farm cash flow during the transitional period from marketing calves to that of finished animals, the Manitoba Agricultural Credit Corporation provided short term cash advances or custom feeding loans. While M.A.C.C. provided the funds and administered this aspect of the program, the Beef Commission cooperated in the repayment process by forwarding the proceeds to M.A.C.C. when the cattle were marketed.

From start-up date to March 31, 1985, 562 such loans were issued totalling $8.8 million, covering approximately 26,000 head of cattle. During the same period, 220 of these loans had been repaid in the amount of $3.1 million.

Manitoba

Report of the Provincial Auditor's Office

The Manitoba Beef Commission

We have examined the financial statements, being Exhibits A, B, C, D and E, of The Manitoba Beef Commission for the fiscal year ended March 31, 1985. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1985 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding period.

October 15, 1985,
Winnipeg, Manitoba.

F.H. Jackson, C.A.,
Provincial Auditor.

Exhibit A
The Manitoba Beef Commission

Balance Sheet

as at March 31, 1985

Assets	1985	1984
Current assets:		
Funds on deposit with the Minister of Finance and in bank, less outstanding cheques	$ (644,909)	$ 839,760
Term deposit with the Minister of Finance	3,000,000	2,000,000
Accounts receivable:		
Packers and auction marts	933,105	804,673
Producers, less allowance for doubtful accounts (Note 3)	178,407	189,490
Government of the Province of Manitoba	9,313	36,076
Inventory	46,989	8,045
	$ 3,522,905	$ 3,878,044

Liabilities and Fund Account Balances		
Current liabilities:		
Accounts payable:		
Producers	$ 2,963,353	$ 1,991,643
Trade accounts	68,224	67,226
	3,031,577	2,058,869
Advance from the Government of the Province of Manitoba (Note 4)	16,000,000	10,000,000
	19,031,577	12,058,869
Fund account balances:		
Stabilization Fund Account (Deficit), Exhibit C	(15,752,712)	(8,204,103)
Administration Fund Account, Exhibit E	244,040	23,278
	(15,508,672)	(8,180,825)
	$ 3,522,905	$ 3,878,044

Approved by:

Rudy Usick — Chairperson

Dennis Trinder — Director

Exhibit B
The Manitoba Beef Commission

Producer Fund Account
Statement of Operations

	For the Year Ended March 31, 1985			For the Year Ended March 31, 1984		
	Finished Cattle	Unfinished Cattle	Total	Finished Cattle	Unfinished Cattle	Total
Revenue:						
Proceeds on sale of cattle	$ 53,862,371	$ 44,469,204	$ 98,331,575	$ 42,715,529	$ 43,125,965	$ 85,841,494
Packer, auction mart, insurance claims and miscellaneous	37,730	4,913	42,643	27,894	14,904	42,798
Live sale expenses from Administration Fund Account, Exhibit E	68,185	—	68,185	—	—	—
Net pool adjustments from Administration Fund Account, Exhibit E	6,049	8	6,057	3,576	55	3,631
Total revenue	$ 53,974,335	$ 44,474,125	$ 98,448,460	$ 42,746,999	$ 43,140,924	$ 85,887,923
Distribution:						
Assessments:						
Producer premiums, Exhibit C	$ 3,424,294	$ 3,150,518	$ 6,574,812	$ 2,169,154	$ 2,707,760	$ 4,876,914
Marketing fees, Exhibit E	272,975	—	272,975	219,076	—	219,076
	3,697,269	3,150,518	6,847,787	2.388.230	2,707.760	5.095.990
Direct charges:						
Assembly fees, etc.	72,025	211	72,236	89,437	97	89,534
Freight	40,085	1,094	41,179	13,554	—	13,554
Insurance	3,663	4,989	8,652	782	4,821	5,603
Manitoba Cattle Producers Association dues	—	—	—	469	4,046	4,515
	115,773	6,294	122,067	104.242	8.964	113.206
Producer settlements	50,161,293	41,317,313	91,478,606	40,254,527	40,424,200	80,678,727
Total distribution	$ 53,974,335	$ 44,474,125	$ 98,448,460	$ 42,746,999	$ 43,140,924	$ 85,887,923

Exhibit C
The Manitoba Beef Commission

Stabilization Fund Account
Statement of Revenue and Expenditure and Deficit

for the year ended March 31, 1985

	1985	1984
Revenue:		
Producer premiums:		
Producer Fund Account, Exhibit B	$ 6,574,812	$ 4,876,914
Direct from producers	86,718	183,320
Retroactive marketings	—	27,273
	6,661,530	5,087,507
Provincial premium contributions	1,862,339	2,240,624
Recovery of stabilization payments (Note 5)	115,344	231,250
Total revenue	$ 8,639,213	$ 7,559,381
Expenditure:		
Stabilization payments	$ 16,173,672	$ 12,057,930
Retroactive stabilization payments	—	81,136
Bad debt expense	14,150	64,891
Total expenditure	$ 16,187,822	$ 12,203,957
Excess of Expenditure over Revenue	7,548,609	4,644,576
Deficit, beginning of year	8,204,103	3,559,527
Deficit, end of year, Exhibit A	$ 15,752,712	$ 8,204,103

Exhibit D
The Manitoba Beef Commission

Productivity Enhancement Grant Fund Account
Statement of Operations

for the year ended March 31, 1985

	1985	1984
Grant from the Government of the Province of Manitoba	$ —	$ 33,380
Recoveries of grants from producers	188,822	290,538
Less: Bad debt expense	25,597	43,156
	163,225	247,382
	$ 163,225	$ 280,762
Distribution:		
Producers	$ —	$ 33,380
Government of the Province of Manitoba	163,225	247,382
	$ 163,225	$ 280,762

Exhibit E
The Manitoba Beef Commission

Administration Fund Account
Statement of Revenue and Expenditure and Fund Account Balance

for the year ended March 31, 1985

	1985	1984
Revenue:		
Grant – Government of the Province of Manitoba	$ 480,000	$ 392,395
Interest	356,297	135,756
Marketing fees, Exhibit B	272,975	219,076
Recovery of provincial premium contributions on cancellation of producers' contracts (Note 7)	34,356	11,697
Miscellaneous	2,034	1,003
Total revenue	$ 1,145,662	$ 759,927
Expenditure:		
Advertising and promotion	$ 24,956	$ 16,947
Audit	23,400	19,950
Bank charges	7,783	2,459
Computer services and equipment	200,500	115,254
Directors' fees and expenses	34,838	44,263
Delivery	7,355	6,231
Dues and subscriptions	263	322
Furniture and fixtures	2,938	18,937
Hall rentals	1,768	1,682
Health and post-secondary education tax levy	6,704	6,706
Fieldmen expenses	32,029	22,371
Live sale expenses to Producer Fund Account, Exhibit B	68,185	—
Miscellaneous	2,874	4,322
Net pool adjustments to Producer Fund Account, Exhibit B	6,057	3,631
Postage and telephone	9,427	13,104
Printing and stationery	19,921	24,226
Repairs and maintenance	184	1,858
Salaries and employee benefits	463,343	440,685
Travel	12,375	10,074
Total expenditure	$ 924,900	$ 753,022
Excess of Revenue over Expenditure	220,762	6,905
Balance, beginning of year	23,278	16,373
Balance, end of year, Exhibit A	$ 244,040	$ 23,278

The Manitoba Beef Commission

Notes to Financial Statements

for the year ended March 31, 1985

1. Status of the Commission

The Manitoba Beef Commission was established on September 1, 1982 by regulation under the Natural Products Marketing Act, to administer regulations respecting the marketing of beef.

The Commission has administrative responsibility for the following:

a) The Manitoba Beef Marketing Plan was established September 1, 1982 by regulation under the Natural Products Marketing Act. The purpose of this Plan is to maximize the return to the producers in the marketing of beef.

b) The Manitoba Beef Stabilization Plan was established September 1, 1982 by regulation under the Farm Income Assurance Plans Act. The purpose of this Plan is to improve the income stability of participating beef producers. There was also support for a limited period through payment of a special Productivity Enhancement Grant to producers joining the Plan. In accordance with the regulations, separate accounts were established for these operations.

The Producer Fund Account was established on March 1, 1983 to account for the sales of finished and unfinished cattle marketed under the Manitoba Beef Marketing Plan.

The Stabilization Fund Account was established effective September 1, 1982 for operation of the Manitoba Beef Stabilization Plan. It accounts for the collection of premiums from producers enrolled in the Manitoba Beef Marketing Plan, and from the Province and the stabilization payments to producers.

The Productivity Enhancement Grant Fund Account was established to account for payment of a Productivity Enhancement Grant to each producer joining the Manitoba Beef Marketing Plan up to January 21, 1983.

The Administration Fund Account was established to account for the Commission's administrative and marketing operations.

2. Significant accounting policies

a) The financial statements have been prepared on an accrual basis of accounting except for capital acquisitions which are being charged to operations at cost in the year acquired.

b) The Commission maintains separate divisions in its accounts for the activities of the Producer Fund Account, Stabilization Fund Account, Productivity Enhancement Grant Fund Account and the Administration Fund Account. The assets and liabilities of all of the fund accounts are combined on the balance sheet.

The Producer Fund Account and the Productivity Enhancement Grant Fund Account by their nature have nil balances at year end.

c) The Government of the Province of Manitoba pays interest charges on the advances to the Commission and provides office space, certain legal, administrative and field services. These expenses are not reflected in the financial statements.

3. Accounts receivable – producers

The accounts receivable from producers consist of:

	1985	1984
Stabilization payments recoverable	$ 149,787	$ 200,208
Productivity enhancement grants	141,827	57,861
Premiums	6,083	27,574
Other	4,625	8,588
	302,322	294,231
Less: Allowance for doubtful accounts	123,915	104,741
	$ 178,407	$ 189,490

4. Advance from the Government of the Province of Manitoba

The Government of the Province of Manitoba authorized repayable advances to the Commission of up to $20,000,000 for the purpose of funding the deficit of the Stabilization Fund Account when revenues are not sufficient to pay the producers' stabilization payments under the Manitoba Beef Stabilization Plan. At March 31, 1985 the amount advanced to the Commission was $16,000,000 (1984 – $10,000,000), of which the Commission had drawn $15,277,510 (1984 – $8,123,707) with the balance of $727,490 (1984 – $1,876,293) maintained on deposit with the Minister of Finance in a trust account.

Interest charged on the advances by the Department of Finance is paid from an appropriation of the Department of Agriculture in the amount of $1,327,603 in 1985 (1984 – $610,945).

5. Termination of contract

A producer may terminate his contract with the Commission at any time. Depending upon the balance of the individual producer account, represented by the producer premiums and stabilization payments, termination by a producer before eight full years will result in a partial return of premiums paid or a partial recovery of stabilization deficiency payments.

6. Productivity Enhancement Grant Fund Account

The Productivity Enhancement Grant Fund Account was established to account for the payment of special grants to producers joining the Manitoba Beef Marketing Plan during a limited enrollment period. As at March 31, 1985 the Commission had not requested funds from the Province for producers in the amount of $18,994 (1984 – $48,383).

The grants are not fully earned by the producers until they have completed four years of enrollment in the Plan. Any recoveries from producers terminating their contracts before the grants are fully earned are repayable to the Province.

7. Recovery of provincial premium contributions

The provincial premium contribution portion of the stabilization payments recovered from producers is transferred to the Administration Fund Account. For the year ended March 31, 1985 the recovery of the provincial premium contributions transferred to the Administration Fund Account was $34,356 (1984 – $11,697), which represented a recoverable amount of $38,231 (1984 – $28,015) less bad debt expense of $3,875 (1984 – $16,318).

8. Economic dependence

The Commission is economically dependent of the Government of the Province of Manitoba.